

Message Text

UNCLASSIFIED POSS DUPE

PAGE 01 LISBON 01908 141537Z

11

ACTION EUR-25

INFO OCT-01 AF-10 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 SAM-01 SAJ-01

DRC-01 /175 W

----- 014084

R 141404Z MAY 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 9592

INFO AMCONSUL LUANDA

AMCONSUL LOURENCO MARQUES

AMCONSUL OPORTO UNN

AMEMBASSY MADRID

AMCONSUL PONTA DELGADA

UNCLAS LISBON 1908

E.O. 11652: N/A

TAGS: ECON, EFIN, PO

SUBJ: POST-COUP ECONOMIC DEVELOPMENTS

REF: LISBON 0731

1. SUMMARY: IN THE WAKE OF THE APRIL 25 COUP, PORTUGAL'S ECONOMY HAS CONTINUED TO PROVIDE GOODS AND SERVICES IN A NEARLY ROUTINE MANNER. WHILE LABOR MOVEMENT ACTIVITIES HAVE BECOME INTENSE, PRODUCTION IN MOST FACTORIES HAS BEEN UNINTERRUPTED. STRIKES AND THREATS OF STRIKES ARE MORE COMMON NOW, BUT FEW PLANTS HAVE BEEN CLOSED FOR EXTENDED PERIODS. THE JUNTA HAS IMPOSED MODERATE CONTROLS ON CAPITAL MOVEMENTS AND, SIMULTANEOUSLY, ANNOUNCED ITS
UNCLASSIFIED
UNCLASSIFIED

PAGE 02 LISBON 01908 141537Z

INTENTION TO MAINTAIN FAVORABLE CONDITIONS
FOR FOREIGN INVESTMENT AND ECONOMIC GROWTH.

HOWEVER, THE JUNTA IS LEAVING SPECIFIC PLANNING IN ECONOMIC FIELD TO PROVISIONAL GOVERNMENT WHICH WILL BE APPOINTED SHORTLY. END SUMMARY.

2. THUS FAR THE ECONOMY HAS RIDDEN THE POST-COUP SHOCK WAVES WITH REMARKABLE COMPOSURE. DESPITE EXTENSIVE LABOR AGITATION UNCAPPED BY THE REMOVAL OF A REPRESSIVE REGIME, THERE HAS BEEN NO NOTICEABLE BREAKDOWN IN ECONOMIC INSTITUTIONS, SERVICES, AND PERFORMANCE, AND THE LIMITED EMERGENCY MEASURES IMPOSED BY THE JUNTA HAVE CAUSED ONLY MINOR INCONVENIENCES. THE NEW PROVISIONAL GOVERNMENT, YET TO BE INSTALLED, WILL INHERIT SEVERE ECONOMIC PROBLEMS--E.G., THE HIGHEST INFLATION RATE IN EUROPE--BUT PROBLEMS WHICH HAVE NOT PERCEPTIBLY WORSENEED SINCE THE FATEFUL 25TH OF APRIL. THE JUNTA, WHILE NOTING THE SERIOUSNESS OF PORTUGAL'S ECONOMIC PROBLEMS, HAS AVOIDED EXTENSIVE MEASURES AND HAS THUS KEPT ALL OPTIONS OPEN FOR A NEW GOVERNMENT.

3. THE JUNTA'S FIRST ECONOMIC CONCERN FOLLOWING THE COUPP WAS TO PREVENT FLIGHT OF CAPITAL AND TO DAMPEN SPECULATION. BANKS REMAINED LARGELY INOPERATIVE FROM APRIL 25 THROUGH MAY 1. THEY HAVE NOW RESUMED NEAR NORMAL OPERATIONS, BUT, UNDER JUNTA REGULATIONS, BANK ACCOUNT HOLDERS MAY WITHDRAW NO MORE THAN 10,000 ESCUDOS (APPROXIMATELY \$400) IN CASH PER WEEK AND NO ONE MAY LEAVE THE COUNTRY WITH MORE THEN 25,000 ESCUDOS (APPROXIMATELY \$1,000) OR AN EQUIVALENT IN FOREIGN EXCHANGE WITHOUT PERMISSION. THE JUNTA HAS PLACED NO RESTRICTIONS ON INTERNAL TRANSACTIONS USING CHECKS AND HAS OPENLY ENCOURAGED THIS EASILY TRACED FORM OF PAYMENT. THE STOCK EXCHANGE, A SOURCE OF SPECULATION AND A SYMBOL TO MANY PORTUGUESE OF PRIVILEGED FINANCIAL TRANSACTIONS, WAS CLOSED BY THE JUNTA AND WILL REMAIN SO UNTIL A NEW GOVERNMENT DECIDES TO REOPEN IT.

4. THE JUNTA'S ONLY OTHER IMPORTANT ECONOMIC
UNCLASSIFIED
UNCLASSIFIED

PAGE 03 LISBON 01908 141537Z

REGULATION WAS ITS EMPOWERING A SPECIAL COMMISSION TO PROHIBIT CERTAIN IMPORTS AND EXPORTS. THE LIST OF IMPORTS WHICH MAY BE CURTAILED IS LARGELY LUXURY ITEMS (E.G., LOBSTERS); THE EXPORTS ARE MAINLY FOODSTUFFS AND FUELS REQUIRED FOR LOCAL CONSUMPTION. UNLESS RENEWED THE AUTHORITY OF THIS COMMISSION EXPIRES 30 DAYS AFTER ITS CREATION.

5. OTHER THAN OUSTING ALL ECONOMIC MINISTERS, SECRETARIES AND SUB-SECRETARIES OF STATE, THE JUNTA

HAS NOT TAMPERED WITH THE GOVERNMENTAL ECONOMIC STRUCTURE. THE MAJOR FIGURE FILLING THE GAP BETWEEN THE JUNTA AND THE HEADLESS MINISTRIES IS THE JUNTA'S DELEGATE TO THE MINISTRY OF FINANCE, VASCO VIEIRA DE ALMEIDA, ONE OF PORTUGAL'S LEADING YOUNG BANKERS. HE APPEARED AT A PRESS CONFERENCE LAST WEEK TO EXPLAIN THE MEASURES DESCRIBED IN PARAS 2 AND 3 ABOVE AND TO OFFER ASSURANCES THAT PROBLEMS SUCH AS INFLATION AND HOUSING WOULD BE TACKLED VIGOROUSLY BY THE NEW GOVERNMENT ONCE IT WAS INSTALLED.

6. WHILE ALL FIRMS OF ANY SIZE IN PORTUGAL HAVE UNDOUBTEDLY EXPERIENCED DISRUPTIONS BECAUSE OF LABOR ACTIVITIES, FEW APPEAR TO HAVE HAD PROLONGED DIFFICULTIES. THE MOST SERIOUS AND EFFECTIVE CHALLENGES TO MANAGEMENT HAVE BEEN MADE IN THOSE ORGANIZATIONS, SUCH AS TAP (THE NATIONAL AIRLINE) AND SACOR (PETROLEUM REFINING AND DISTRIBUTION), WHICH HAVE LARGE STATE PARTICIPATION. THE JUNTA, FOR EXAMPLE, HAS RATIFIED THE DISLODGING BY WORKERS OF TAP'S TOP ADMINISTRATORS BY APPOINTING A NEW BUT TEMPORARY EXECUTIVE COMMISSION COMPOSED OF TAP PERSONNEL. FOREIGN FIRMS, INCLUDING AMERICAN, REPORT LITTLE OR NO XENOPHOBIA. WE HAVE ONLY ONE REPORTED INSTANCE INVOLVING FIRESTONE-WHERE WORKERS HAVE REQUESTED THE JUNTA SPECIFICALLY TO REMOVE FOREIGN MANAGEMENT. THE JUNTA HAS CONTRIBUTED TO LABOR STABILITY BY REQUIRING WORKERS TO HOLD THEIR MEETINGS OUTSIDE OF NORMAL WORKING HOURS AND BY PUTTING INTO FORCE WAGE INCREASES ARBITRATED BUT NOT IMPLEMENTED BEFORE
UNCLASSIFIED
UNCLASSIFIED

PAGE 04 LISBON 01908 141537Z

THE COUP TOOK PLACE. (THE ELECTRICAL INDUSTRY CONTRACT, INVOLVING A LARGE NUMBER OF AMERICAN FIRMS-SEE LISBON 0731-WAS ONE OF THESE.)

7. COMMENT: THE POST-COUP ECONOMY HAS FUNCTIONED WELL ENOUGH TO PERMIT THE JUNTA TO CHANNEL ITS MAJOR EFFORTS TO OTHER PROBLEMS. THE JUNTA'S ECONOMIC DECISIONS TO DATE HAVE BEEN BOTH DEFENSIVE AND TEMPORARY IN NATURE. IT IS LEAVING THE HARD DECISIONS ON ECONOMIC POLICIES, PROGRAMS, AND STAFFING TO THE PROVISIONAL GOVERNMENT.
SCOTT

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: JUNTA, GOVERNMENT REFORM, LABOR RELATIONS, ECONOMIC REPORTS, ECONOMIC PROGRAMS, CURRENCY STABILITY, CURRENCY CONTROLS, INDUSTRIAL REFORMS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LISBON01908
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740119-0108
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740550/aaaabscs.tel
Line Count: 163
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: LISBON 0731
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 01 NOV 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 NOV 2002 by shawdg>; APPROVED <06 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POST-COUP ECONOMIC DEVELOPMENTS
TAGS: ECON, EFIN, PO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005